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# Export Control

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“What reforms to the U.S. export processes are needed and how can improvements be accelerated?”

This is a question with which I have been wrestling since just after the Secretary of State asked me to be part of his team at the Department of State. September 11, 2001 shifted my focus as it did much of the government, and we lost some time in taking a serious look at how we can make the U.S. Department of State portion of the export control system more responsive to the rest of the agency and the needs of industry, while still ensuring that U.S. security interests are properly served. Finally, I can tell you that I have carefully reviewed every and I mean every report and proposal dealing with the defense export control system that has crossed my desk in the last year. I am happy to take the opportunity today to talk about a number of steps we are taking that should markedly improve and enhance the Department of State’s ability to license the export of defense articles, services, and information.

Let me start off with a snapshot of where the U.S. is now. First of all, of the 47,000 license applications or cases it receives each year, Defense Trade Control handles approximately 70 percent internally; that is, they do not have to be staffed to other offices for review. That is just under 33,000 cases a year. The median processing time for these cases has been reduced from fifteen days in 1999 to eight days. So once again, today the U.S. is turning around 70 percent of the license applications in eight days. The median processing time for the other 14,000 cases, those that must be staffed to other offices within Department of State and/or outside agencies has now been reduced to 58 days, down from 76 in 1999. This progress has been made possible by providing greater resources to Defense Trade Control in a number of functional areas; for starters, we have just about doubled the licensing staff in two years.

We are now benefiting from resource decisions made by Congress in 1999. My goal is to build on that progress and re-engineer the licensing process in a comprehensive manner, to capture any and all efficiencies we can and achieve maximum accountability to management. By doing that, I believe the U.S. will see still further progress on turn-around times, both in terms of shorter duration and more predictability for industry. To accomplish that goal, my staff and I are examining a large and growing list of specific ideas relating to our export licensing procedures: we are also moving swiftly to upgrade defense trade control’s information technology infrastructure, and we are developing further recommendations in the policy area to make the export control system a more effective regulatory and policy instrument.

## **Re-engineering the Licensing Process**

This is the foundation of our efforts in program management. We have to validate our processes before enabling them with information technology systems. And by the way, in this view I have strong encouragement from the Government Accounting Office and U.S. Inspector General behind me. In that context, we are looking at interagency functioning in support of the

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licensing function, end-use monitoring of exported defense items and technology, the policy referral process within the Department of State for license applications, the commodity jurisdiction process involving commerce and many issues of timeliness as they relate to industrial competitiveness including the note and effect of congressional notification procedures. We will be looking at our compliance and enforcement functions involving the customs service. And we will be drawing up goals for defense trade advisory relating to training, career development, and customer relations with industry, as well as potential management tools that might be candidates for future resource investment. At an appropriate time, I plan to draw on the expertise of industry via the defense trade advisory group, and I am happy to receive specific ideas and recommendations from members of this organization. Just send them to me at the Program Management Bureau, the sooner the better.

### **Defense Trade Advisory Group - Defense Trade Control Information Technology Upgrade**

Many of you may be aware that we are upgrading defense trade control's information technology infrastructure. We have entered into an intensive dialogue of experts with the Department of Defense, to include several meetings with USXPORTS technical experts. We have expanded the use of the T-1 line to transmit to DoD both structured data and unstructured back-up material for cases in support of *Operation Enduring Freedom*, which have been turned around in 24-48 hours on average.

The Department of State's CIO has personnel from his staff working with us on this upgrade effort. And I have received strong encouragement from my bosses to push hard on the information technology front, consistent with Secretary of State Powell's interest in modernizing the U.S. Department of State operations. We hope to use standardized processes and an information technology infrastructure to eliminate delays and bottlenecks that have slowed our responsiveness to industry particularly when staffing cases to other agencies and to policy offices within the Department of State. Our plan is to initiate a six-month beta test of a fully electronic licensing program in the coming weeks, with the participation of some large and small companies alike.

### **Policy Implementation and Revision**

The final area in which we are taking a hard look is the defense export system involving larger policy issues that determine what we are trying to accomplish. As you know, this Administration has sought to continue implementation of the previous Administration's initiative in this area, the *Defense Trade Security Initiative*, which began in May of 2000. To be honest, we have seen mixed results. North Atlantic Treaty Organization Secretary General Lord Robertson has proposed narrowing and concentrating the focus of the Defense Capabilities Initiative (DCI), which seeks to facilitate the transfer to North Atlantic Treaty Organization allies of equipment identified as key to wartime interoperability. I support Lord Robertson in this endeavor and will work with Department of Defense to that end.

The defense trade security initiative project and program licensing arrangements have not been widely used for a host of reasons. But now that the Joint Strike Fighter is moving forward, the program management will work with Department of Defense to ensure that our licensing process serves national security priorities such as Joint Strike Fighter.

On the Munitions List review, we are close to the Executive Branch agreement on some categories and expect to move the whole process more expeditiously from here on. Industry and Congress will have their say as we go forward.

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Finally, we are working with various congressional committee staff members to raise the current thresholds for congressional notification of defense sales. I believe significant changes are warranted and hope Congress will be persuaded.